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South Carolina
Division of General Services

PROCUREMENT AUDIT AND CERTIFICATION

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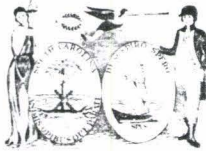
SOUTH CAROLINA STATE UNIVERSITY

AGENCY

JULY 1, 1995 - DECEMBER 5, 1995

DATE

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF GENERAL SERVICES



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MATERIALS MANAGEMENT OFFICE
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COLUMBIA, SOUTH CAROLINA 29201
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RAYMOND L. GRANT
ASSISTANT DIRECTOR

February 14, 1996

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached South Carolina State University's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the University a two year certification as noted in the audit report.

Sincerely,

A handwritten signature in cursive script that reads "Raymond L. Grant".

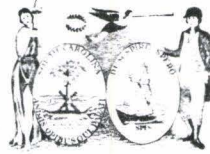
Raymond L. Grant
Materials Management Officer

SOUTH CAROLINA STATE UNIVERSITY
PROCUREMENT AUDIT REPORT
JULY 1, 1995 - DECEMBER 5, 1995

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RAYMOND L. GRANT
ASSISTANT DIRECTOR

January 16, 1996

Mr. Raymond L. Grant
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Ray:

We have examined the procurement policies and procedures of South Carolina State University for the period July 1, 1995 through December 5, 1995. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and University procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the University is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurances of the integrity of the procurement process, that affected assets are

safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did however, disclose conditions enumerated in this report that we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place South Carolina State University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


Larry G. Sorrell, Manager
Audit and Certification

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of South Carolina State University and its related policies and procedures to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected our sample of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) All sole source, emergency and trade-in sales procurements for the period July 1, 1995 - December 5, 1995
- (2) A review of 104 purchase orders for the period July 1, 1995 through December 5, 1995 were tested for compliance to the Procurement Code
- (3) File documentation and evidence of competition
- (4) Testing for order splitting and fair and reasonable prices on small purchases

RESULTS OF EXAMINATION

Our on-site review was conducted December 6 through December 13, 1995, and was made under the authority as described in Section 11-35-1230 (1) of the South Carolina Consolidated Procurement Code. The audit was performed primarily because the one year certification granted the University by the Budget and Control Board is to expire April 11, 1996. Additionally, the University requested certification limits as follows:

Goods and Services	\$25,000
Consultants Services	\$25,000
Information Technology	\$25,000

Since our previous audit in 1994, South Carolina State University has maintained what we consider to an efficient procurement system. We did note, however, the following points that should be addressed by management:

NO COMPETITION

We noted two transactions that lacked evidence of competition, a sole source or emergency determination.

<u>Item</u>	<u>P.O. #</u>	<u>Description</u>	<u>Date</u>	<u>Amount</u>
1.	P600383	Consultant	07/27/95	\$7,250
2.	P600709	Building Maintenance	08/09/95	1,869

We recommend the University solicit the minimum amount of competition required by the Code or complete sole source or emergency determinations, when applicable, on future procurements.

STATE TERM CONTRACTS NOT REFERENCED

We noted a number of purchases resulting from state contracts that did not reference the state term contract number. For compliance verification, every purchase made from an existing state contract should be referenced.

We recommend the University reference state contract numbers when such contracts are utilized.

TIME AND DATE STAMPING OF QUOTATION

While reviewing the purchase order files, we noted some quotations were not time or date stamped. The purchasing office is in the practice of date stamping the envelopes as they are

received. The quotations are then opened on the designated date and the envelopes are sometimes discarded. In the absence of the postmarked envelope, we could not verify the timeliness of receipt of the quotations.

We recommend that either all the envelopes be retained in the files or the actual quotations be time and date stamped at the bid opening.

PROCUREMENT MANAGEMENT

During our audit we noted the University received only one response to a number of "Request for Quotation". While a lack of response does occur on occasion, we believe the frequency of poor responses during our audit period was too great.

As stated in our previous audit, we recommend the University take a more active approach and follow up on solicitations with poor responses to find out why vendors did not respond. Appropriate measures should be taken to encourage vendors to respond. Strong competition ensures that the University is getting the best prices.

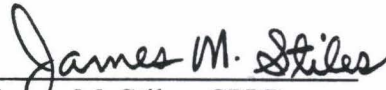
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects places South Carolina State University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. Corrective action should be accomplished by February 28, 1996.

Under the authority described in section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend recertification for two years at the levels below.

<u>PROCUREMENT AREA</u>	<u>RECOMMENDED CERTIFICATION LEVELS</u>
Goods and Services	\$25,000
Consultants Services	\$25,000
Information Technology	\$25,000

*Total potential purchase commitment whether single year or multi-term contracts are used.



James M. Stiles, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification



South Carolina State University
Post Office Box 7071
300 College Street Northeast
ORANGEBURG, SOUTH CAROLINA 29117
(803) 536-8198

OFFICE OF PROCUREMENT

FAX: (803) 533-3621

Mr. Larry G. Sorrell, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Larry:

The University is in receipt of the final exit report submitted by your office. The University concurs with your findings and have taken the appropriate steps to addressing these issues. The University accepts the recommended level and length of certification by your office. The University would like to extend their gratitude and appreciation to your audit staff:

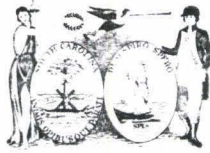
Jim Stiles, Audit Manager
David Rawls, Senior Auditor

These two gentleman were of tremendous support to the University and their dedication and knowledge exemplifies the high degree of professionalism of your agency. We look forward to a continued positive relationship with your agency.

Sincerely,

Leon Sanders, Acting Vice President
Finance and Management

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF GENERAL SERVICES



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LUTHER F. CARTER
EXECUTIVE DIRECTOR

Mr. Raymond L. Grant
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Ray:

We have reviewed South Carolina State University's response to our audit report July 1, 1995 - December 5, 1995. Also, we have followed the University's correction action during and subsequent to our field work. We are satisfied that the University has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend that the Budget and Control Board grant the South Carolina State University the certification limits noted in our report for a period of two years.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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